

**The Nathaniel Witherell**  
(A fund of the Town of Greenwich)

Financial Statements  
and Supplemental Information

June 30, 2018 and 2017

**Board of Estimate and Taxation  
Town of Greenwich**

We have reviewed the accompanying financial statements of The Nathaniel Witherell a fund of the Town of Greenwich ("TNW"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountants' Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Supplementary Information**

The supplemental information on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

*PKF O'Connor Davies, LLP*

February 24, 2019

**The Nathaniel Witherell**  
(A Fund of the Town of Greenwich)

Statements of Financial Position

	June 30,	
	2018	2017
<b>ASSETS</b>		
Cash	\$ 441,012	\$ 354,912
Accounts receivable, net of allowances	3,492,794	2,890,008
Capital assets, net of accumulated depreciation	<u>31,199,839</u>	<u>31,277,875</u>
	<u>\$ 35,133,645</u>	<u>\$ 34,522,795</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 1,101,761	\$ 1,118,142
Accrued expenses	1,261,331	1,424,292
Deposits held for others	495,212	457,262
Reserve for rate adjustments	216,516	594,374
Net liability retiree healthcare plan	1,519,709	2,138,734
Net pension liability	4,912,681	5,729,514
Funds advanced by the Town of Greenwich, CT	5,376,294	2,194,428
Long term obligations	<u>18,561,700</u>	<u>19,739,000</u>
Total Liabilities	<u>33,445,204</u>	<u>33,395,746</u>
 Net Assets		
Unrestricted, undesignated (deficit)	(10,949,698)	(10,411,826)
Unrestricted, designated, net investment in capital assets	<u>12,638,139</u>	<u>11,538,875</u>
Total Net Assets	<u>1,688,441</u>	<u>1,127,049</u>
	<u>\$ 35,133,645</u>	<u>\$ 34,522,795</u>

See notes to financial statements and independent accountants' review report

**The Nathaniel Witherell**  
(A Fund of the Town of Greenwich)

Statements of Activities and Changes in Net Assets

	Year Ended	
	June 30,	
	2018	2017
<b>OPERATING REVENUE</b>		
Resident service revenue, net of allowances	\$ 28,012,578	\$ 27,530,837
<b>Direct Costs</b>		
Resident care	19,738,965	20,044,444
Dietary	2,604,234	2,685,561
Housekeeping	1,283,331	1,255,334
Provider tax	890,151	919,209
Laundry	207,596	195,704
	24,724,277	25,100,252
<b>Indirect Costs</b>		
General and administrative	3,149,054	2,971,000
Maintenance and plant operation	1,563,359	1,528,616
Interest	836,170	572,443
Depreciation	717,360	699,660
Insurance	105,750	150,920
	6,371,693	5,922,639
Operating Expenses Skilled Nursing Facility	31,095,970	31,022,891
Operating Loss Skilled Nursing Facility	(3,083,392)	(3,492,054)
<b>OTHER REVENUE (EXPENSE)</b>		
Contributions	200,000	-
Café Witherell	55,970	55,245
Café Witherell expenses	(88,081)	(87,131)
	(32,111)	(31,886)
Pavilion rental income	53,170	47,121
Pavilion expenses	(23,924)	(15,942)
	29,246	31,179
Grants received	38,444	-
Other	25,105	20,544
Pension liability adjustment	273,533	1,219,944
Retiree healthcare liability adjustment	410,567	(107,733)
Total Other Revenue (Expense)	944,784	1,132,048
Change in Net Assets (Deficit)	(2,138,608)	(2,360,006)
<b>UNRESTRICTED NET ASSETS (DEFICIT)</b>		
Beginning of year	1,127,049	(3,059,234)
Transfer from the Town of Greenwich	2,700,000	6,546,289
End of year	\$ 1,688,441	\$ 1,127,049

See notes to financial statements and independent accountants' review report

**The Nathaniel Witherell**  
(A Fund of the Town of Greenwich)

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets (deficit)	\$ (2,138,608)	\$ (2,360,006)
Adjustments to reconcile change in net assets (deficit)		
Depreciation	717,360	699,660
Loss on sale of assets	-	39,267
Changes in operating assets and liabilities		
Accounts receivable	(602,786)	967,295
Grants receivable	-	96,580
Accounts payable	(16,381)	123,437
Accrued expenses	(162,961)	(102,127)
Deposits held for others	37,950	84,079
Reserve for rate adjustments	(377,858)	372,746
Net Cash from Operating Activities	(2,543,284)	(79,069)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of assets	-	6,100
Acquisition of capital assets	(639,324)	(295,422)
Net Cash from Investing Activities	(639,324)	(289,322)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment on long term obligations	(1,177,300)	(1,260,000)
Net pension liability	(816,833)	(1,800,664)
Net liability retiree healthcare plan	(619,025)	(139,208)
Funds advanced by the Town of Greenwich, CT	3,181,866	(4,304,825)
Contributions from the Town of Greenwich, CT	2,700,000	6,546,289
Additional borrowings of long-term obligations	-	960,000
Net Cash from Financing Activities	3,268,708	1,592
Net Change in Cash	86,100	(366,799)
<b>CASH</b>		
Beginning of year	354,912	721,711
End of year	\$ 441,012	\$ 354,912
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 836,170	\$ 572,443

See notes to financial statements and independent accountants' review report

**The Nathaniel Witherell**  
(A Fund of the Town of Greenwich)  
Statement of Functional Expenses  
Year Ended June 30, 2018

	<b>Total</b>	<b>Resident Care</b>	<b>Dietary</b>	<b>Laundry</b>	<b>Housekeeping</b>	<b>Maintenance and Plant Operation</b>	<b>General and Administrative</b>	<b>Provider Tax</b>	<b>Insurance</b>	<b>Depreciation</b>	<b>Interest</b>
Salaries and wages	\$ 15,345,239	\$ 11,891,769	\$ 1,004,535	\$ 138,828	\$ 946,038	\$ 383,541	\$ 980,528	\$ -	\$ -	\$ -	\$ -
Employee benefits	5,214,218	4,046,000	342,053	46,340	317,687	133,123	329,015	-	-	-	-
Direct care contractors	2,395,039	2,395,039	-	-	-	-	-	-	-	-	-
Town of Greenwich Support	1,017,038	-	-	-	-	-	1,017,038	-	-	-	-
Professional fees	119,564	-	-	-	-	-	119,564	-	-	-	-
Management services	446,462	-	446,462	-	-	-	-	-	-	-	-
Supplies	553,698	173,874	116,853	17,779	19,606	192,276	33,310	-	-	-	-
Prescriptions and other medications	438,017	438,017	-	-	-	-	-	-	-	-	-
Contracted services	634,704	534,317	-	-	-	37,008	63,379	-	-	-	-
Telephone and cable television	54,768	-	-	-	-	1,064	53,704	-	-	-	-
Travel	21,113	2,704	-	-	-	-	18,409	-	-	-	-
Entertainment	29,720	29,720	-	-	-	-	-	-	-	-	-
Advertising	112,231	-	-	-	-	-	112,231	-	-	-	-
Software	75,446	-	-	-	-	-	75,446	-	-	-	-
Other expenses	428,962	2,907	-	4,649	-	411,451	9,955	-	-	-	-
Depreciation	717,360	-	-	-	-	-	-	-	-	717,360	-
Insurance	244,088	138,338	-	-	-	-	-	105,750	-	-	-
Interest	836,170	-	-	-	-	-	-	-	-	-	836,170
Food	713,070	14,282	694,331	-	-	-	4,457	-	-	-	-
Equipment rental	111,547	71,998	-	-	-	7,190	32,359	-	-	-	-
Utilities and heating oil	397,706	-	-	-	-	397,706	-	-	-	-	-
Assessments and taxes	924,029	-	-	-	-	-	33,878	890,151	-	-	-
Bad debt	265,781	-	-	-	-	-	265,781	-	-	-	-
	<u>\$ 31,095,970</u>	<u>\$ 19,738,965</u>	<u>\$ 2,604,234</u>	<u>\$ 207,596</u>	<u>\$ 1,283,331</u>	<u>\$ 1,563,359</u>	<u>\$ 3,149,054</u>	<u>\$ 890,151</u>	<u>\$ 105,750</u>	<u>\$ 717,360</u>	<u>\$ 836,170</u>

**The Nathaniel Witherell**  
(A Fund of the Town of Greenwich)  
Statement of Functional Expenses  
Year Ended June 30, 2017

	<b>Total</b>	<b>Resident Care</b>	<b>Dietary</b>	<b>Laundry</b>	<b>Housekeeping</b>	<b>Maintenance and Plant Operation</b>	<b>General and Administrative</b>	<b>Provider Tax</b>	<b>Insurance</b>	<b>Depreciation</b>	<b>Interest</b>
Salaries and wages	\$ 15,127,152	\$ 11,803,467	\$ 949,610	\$ 130,915	\$ 907,285	\$ 352,905	\$ 982,970	\$ -	\$ -	\$ -	\$ -
Employee benefits	5,714,296	4,463,047	359,634	49,157	339,013	136,745	366,700	-	-	-	-
Direct care contractors	2,464,063	2,464,063	-	-	-	-	-	-	-	-	-
Town of Greenwich Support	997,096	-	-	-	-	-	997,096	-	-	-	-
Professional fees	70,799	-	-	-	-	-	70,799	-	-	-	-
Management services	567,207	-	567,207	-	-	-	-	-	-	-	-
Supplies	460,728	134,289	110,875	14,529	9,036	168,842	23,157	-	-	-	-
Prescriptions and other medications	439,146	439,146	-	-	-	-	-	-	-	-	-
Contracted services	601,729	528,464	-	-	-	35,752	37,513	-	-	-	-
Telephone and cable television	66,023	499	-	-	-	1,306	64,218	-	-	-	-
Travel	15,922	2,297	-	-	-	20	13,605	-	-	-	-
Entertainment	30,950	30,950	-	-	-	-	-	-	-	-	-
Advertising	124,369	-	-	-	-	-	124,369	-	-	-	-
Software	95,997	-	-	-	-	-	95,997	-	-	-	-
Other expenses	437,993	5,123	-	1,103	-	428,168	3,599	-	-	-	-
Depreciation	699,660	-	-	-	-	-	-	-	-	699,660	-
Insurance	246,897	95,977	-	-	-	-	-	150,920	-	-	-
Interest	572,443	-	-	-	-	-	-	-	-	-	572,443
Food	726,850	26,122	698,235	-	-	-	2,493	-	-	-	-
Equipment rental	80,380	51,000	-	-	-	5,994	23,386	-	-	-	-
Utilities and heating oil	398,884	-	-	-	-	398,884	-	-	-	-	-
Assessments and taxes	948,983	-	-	-	-	-	29,774	919,209	-	-	-
Bad debt	135,324	-	-	-	-	-	135,324	-	-	-	-
	<u>\$ 31,022,891</u>	<u>\$ 20,044,444</u>	<u>\$ 2,685,561</u>	<u>\$ 195,704</u>	<u>\$ 1,255,334</u>	<u>\$ 1,528,616</u>	<u>\$ 2,971,000</u>	<u>\$ 919,209</u>	<u>\$ 150,920</u>	<u>\$ 699,660</u>	<u>\$ 572,443</u>

**The Nathaniel Witherell**  
(A fund of the Town of Greenwich)

Notes to Financial Statements  
June 30, 2018 and 2017

**1. Organization and Taxation**

The Nathaniel Witherell (“TNW”) is a skilled nursing facility located on 24 acres in the Town of Greenwich, Connecticut (the “Town”). TNW is owned and operated by the Town and has 46 beds dedicated to short-term rehabilitative care and 156 beds reserved for long-term care, of which 40 are dedicated to specialized memory care (dementia and alzheimers).

TNW was established by grants to the Town by Robert M. Bruce in 1903 and by Rebecca Witherell in 1912. The donors’ original intent was to establish a hospital for the care of people in Greenwich who were suffering from contagious diseases. In 1955, two of the then living descendants of the original donors signed releases of the original gift restrictions and included an express provision that the premises shall be used solely for non-profit hospital purposes. In 1995, descendants of Mr. Bruce released the premises from the previous conditions and restrictions and agreed that the premises shall be used solely for a Licensed Home for the Aged under the applicable laws.

TNW also includes a pavilion with five apartment units that are rented. The pavilion was constructed in 1903. The Nathaniel Witherell District of 20.7 acres was listed on the National Register of Historic Places on June 9, 2010. This enabled TNW to obtain a Connecticut Historic Preservation tax credit of \$4,490,918 or 25% of qualified rehabilitation expenditures of \$17,963,672 in 2013.

The Town was incorporated in 1656 under the provisions of the Connecticut General Statutes. The Town operates under and is governed by a Representative Town Meeting (“RTM”), Board of Estimate and Taxation (“BET”) and Board of Selectmen.

In 1931, the RTM amended a special act home rule to establish the TNW board of directors (the “board”) to have “full legal authority and responsibility for the operation of the facility as delineated by applicable state and federal regulations and standards. The board was authorized to accept gifts or grants of money or property on behalf of TNW. In 2006, the Friends of Witherell (the “Friends”) was established as a 501(c)(3) nonprofit corporation under the Internal Revenue Code for tax exempt purposes to raise funds for TNW for enrichment activities for residents and facility enhancements, not for funding operating deficits.

At present, TNW is the only municipality owned skilled nursing facility in Connecticut. The nursing home operations of TNW and all related revenues and expenditures are recorded in a special revenue fund of the Town. The Town is exempt from income taxes.

In April 2018, TNW began offering a new service, Witherell At Home, which provides in-home care for newly discharged short-term rehabilitative residents. The new service is being provided through a partnership with DanielCare Caring Choice, LLC, a leading home care organization.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation and Use of Estimates***

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**The Nathaniel Witherell**  
(A fund of the Town of Greenwich)

Notes to Financial Statements  
June 30, 2018 and 2017

**2. Summary of Significant Accounting Policies (continued)**

***Basis of Presentation and Use of Estimates (continued)***

The Town reports its financial statements under the Governmental Accounting Standards Board (“GASB”) which establishes accounting and financial reporting standards for U.S. state and local governments that follow U.S. GAAP. Therefore, these financial statements will differ from those presented by the Town.

***Net Assets Presentation***

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TNW and changes therein, are classified and reported as unrestricted, temporarily restricted and permanently restricted.

***Allowance for doubtful accounts***

Accounts receivable are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts that are deemed uncollectible based upon past collection history and an assessment of the debtor’s ability to pay. Receivables are written off when no longer realizable and/or legally discharged.

***Capital Assets***

Capital assets includes property, plant and equipment and are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed and depreciated when placed in service. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed.

The original value of the property donated has been fully depreciated. The current capital assets represent capital improvements since the original donation. In 2012, the BET and RTM initially approved \$23 million capital project to renovate TNW, known as Project Renew, by increasing the number of single-bed rooms for rehabilitation patients and constructing a new, state of the art rehabilitation facility. Subsequent capital additions were also approved. Project Renew was substantially complete and its short-term rehab facility was opened in fiscal year 2016. Project Renew was funded by \$25.7 million from 20 year general obligation bonds issued by the Town (refer to note 8). In addition, TNW received \$4.35 million from contributions by the Friends and \$4.5 million of historic tax credits.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Land improvements	20
Machinery and equipment	5-20
Infrastructure	20-50

**The Nathaniel Witherell**  
(A fund of the Town of Greenwich)

Notes to Financial Statements  
June 30, 2018 and 2017

**2. Summary of Significant Accounting Policies (continued)**

***Funds Advanced by the Town of Greenwich, CT***

Funds advanced represents cash activity between TNW and the Town. The Town pays all expenditures on behalf of TNW. TNW maintains a bank account to collect revenue which is swept to the Town on a regular basis. On an annual basis, the Town typically contributes an amount to bring to zero TNW's negative fund balance on a budgetary basis.

***Impairment of Capital Assets***

Capital assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. TNW records impairment losses on capital assets used in operations when the assessed value of those assets are less than the carrying amounts of those assets. No impairment charges were recognized for the years ending June 30, 2018 and 2017.

***Resident Service Revenue, Net***

Net resident service revenue is reported at the estimated net realizable amounts from patients, third party payers and others for services rendered. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim or final settlements are reported in operations in the year of settlement.

***Contributions and Grant Revenue***

TNW has received funds from STEAP (small town economic assistance program) which is a state program that provides funding for a capital project for economic development, community conservation and quality of life capital projects. TNW recognizes any grants as revenue as soon as all eligibility requirements imposed by the grant have been met. TNW may also receive donations which are recognized as other revenue as received.

***Functional Expenses***

The costs of providing TNW services have been summarized on a functional basis as recorded in the books and records. Employee benefits were allocated based on wages.

***Operating Leases***

Operating leases are classified in accordance with the terms of the underlying agreements, which are month-to-month or do not exceed one year. Operating lease payments are charged to rental expense.

***Advertising Costs***

Advertising costs are expensed as incurred. During the years ended June 30, 2018 and 2017, expenses relating to advertising costs were \$112,231 and \$124,369.

**The Nathaniel Witherell**  
(A fund of the Town of Greenwich)

Notes to Financial Statements  
June 30, 2018 and 2017

**2. Summary of Significant Accounting Policies (continued)**

***Accounting for Uncertainty in Income Taxes***

TNW recognizes the effect of tax positions only when they are more likely than not to be sustained. Management has determined that TNW had no uncertain tax positions that would require financial statement recognition or disclosure.

***Compensated absences***

A number of Town employees, including TNW, accumulate vacation, sick and compensatory leave hours for subsequent use or for payment upon termination or retirement. Vacation, sick and compensatory leave expenses to be paid in future periods are accrued when incurred in the financial statements. A liability for these amounts is reported only for the amounts that have become due.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is February 24, 2019.

**3. Concentration of Credit Risk**

At June 30, 2018 and 2017, TNW maintained cash balances with banking institutions that exceeded the Federal Deposit Insurance Corporation ("FDIC") limit. Management believes the TNW deposits are not subject to significant risk.

TNW provides services that are covered under various private and third-party payer agreements. The mix of receivables for services to patients at June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Residents	42%	43%
Medicare	19%	23%
Medicaid	30%	18%
Commercial insurance	9%	16%
	<u>100%</u>	<u>100%</u>

**4. Allowance for Doubtful Accounts**

The allowance for doubtful accounts at June 30 includes the following:

	<u>2018</u>	<u>2017</u>
Allowance for doubtful accounts	<u>\$ 350,000</u>	<u>\$ 366,772</u>

**The Nathaniel Witherell**  
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Notes to Financial Statements  
June 30, 2018 and 2017

**5. Accounts Payable and Accrued Expenses**

Accounts payable at June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 907,350	\$ 743,144
Accrued expenses	181,156	361,625
Other	13,255	13,373
	<u>\$ 1,101,761</u>	<u>\$ 1,118,142</u>

Accrued expenses at June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Resident room and board tax	\$ 223,110	\$ 230,352
Accrued payroll	98,326	209,946
Compensated absences	939,895	983,994
	<u>\$ 1,261,331</u>	<u>\$ 1,424,292</u>

**6. Net Assets**

TNW's net assets are unrestricted. Net assets have been designated for capital assets as shown below:

	<u>2018</u>	<u>2017</u>
Capital assets, net	\$ 31,199,839	\$ 31,277,875
Long term obligations	<u>(18,561,700)</u>	<u>(19,739,000)</u>
Unrestricted, designated, net investment in capital assets	<u>\$ 12,638,139</u>	<u>\$ 11,538,875</u>

**7. Capital Assets**

Capital assets included the following as of June 30:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 33,018,460	\$ 32,580,179
Land improvements	545,464	545,464
Machinery and equipment	1,210,783	1,009,740
Infrastructure	71,950	71,950
Land	326,171	326,171
	35,172,828	34,533,504
Accumulated depreciation	<u>(3,972,989)</u>	<u>(3,255,629)</u>
	<u>\$ 31,199,839</u>	<u>\$ 31,277,875</u>

**The Nathaniel Witherell**  
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Notes to Financial Statements  
June 30, 2018 and 2017

**7. Capital Assets (continued)**

Capital asset activity for the years ended June 30 was as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 34,533,504	\$ 34,283,449
Additions	639,324	295,422
Disposals	-	(45,367)
Ending balance	<u>\$ 35,172,828</u>	<u>\$ 34,533,504</u>

**8. Long-Term Obligations**

Long – term obligations represent TNW’s portion of general obligation bonds issued by the Town. TNW’s share of outstanding bonds as of June 30, 2018 and 2017 was \$18,561,700 and \$19,739,000. The bonds have maturity dates ranging from July 15, 2033 to January 15, 2037 and bear interest at rates ranging from 2.0% to 5.0%. Maturities of TNW’s share of long term obligations bonds at June 30, 2018 are as follows:

2019	\$ 1,956,567
2020	1,775,132
2021	1,756,087
2022	1,726,132
2023	1,700,107
Thereafter	9,647,675
	<u>\$ 18,561,700</u>

**9. Employee Retirement Plans**

The Town provides for a defined benefit plan, a defined contribution plan and Retiree Healthcare Plan.

***Defined Benefit Plan***

The Town sponsors a pension plan (the “Pension Plan”) that covers certain TNW full-time employees who meet age and length of service requirements. The Pension Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service and compensation rates near retirement. The Town’s net pension liability was measured as of June 30, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016. The components of Town’s net pension liability for the years ended June 30 consist of the following:

Valuation Date	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 578,617,723	\$ 563,002,974
Plan fiduciary net position	<u>(474,597,158)</u>	<u>(438,448,693)</u>
	<u>\$ 104,020,565</u>	<u>\$ 124,554,281</u>

**The Nathaniel Witherell**  
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Notes to Financial Statements  
June 30, 2018 and 2017

**9. Employee Retirement Plans (continued)**

The Town contributes the normal cost and the amortization of the unfunded net pension liability annually, which is amortized over 15 years.

As of June 30, 2018 and 2017, normal cost allocated to TNW amounted to \$465,522 and \$432,191. TNW's allocated share of the unfunded pension liability was \$4,912,681 and \$5,729,514 as of June 30 2018 and 2017. The allocation is based on an actuarial report.

The pension plan is no longer offered to employees hired after July 1 2005 through February 1, 2009 based on their employee group. Employees not participating in the pension plan must participate in the Town's defined contribution plan.

***Defined Contribution Plan***

The Town sponsors a defined contribution plan. Union members matching contributions term are in accordance with applicable bargaining units and the Town makes a discretionary contribution for non-union employees. Contributions to the defined contribution plan on behalf of TNW's employees for the years ended June 30, 2018 and 2017 amounted to \$416,646 and \$388,495.

***Retiree Healthcare Plan***

The Town provides a Retiree Healthcare Plan ("RH-Plan"). The RH-Plan is a single-employer defined benefit healthcare plan. The RH-Plan provides medical and life insurance benefits to eligible retirees and their spouses. All employees of the Town are eligible to participate in the plan. Benefit provisions are established through negotiations between the Town and the various unions representing employees.

Contributions to the RH-plan were made in accordance with actuarially determined requirements. As of June 30, 2018 and 2017, TNW's share of the unfunded amount of the RH-Plan amounted to \$1,519,709 and \$2,138,734. The TNH's share of the June 30, 2018 and 2017 service cost amounted to \$32,819 and \$32,893. This allocation was determined based on employee salaries.

**10. Commitments and Contingencies**

TNW may be involved in various litigations matters in the ordinary course of its business. The outcome and eventual liability to TNW, if any, is not known at this time. Any potential claims against the Town from such litigation are not expected to have a material effect on the financial position of TNW.

***Healthcare Revenue***

Management believes that TNW is in compliance with the licensure, accreditation, government healthcare program participation requirements and other Medicaid fraud and abuse legislation, and with other government regulatory and statutory laws and provisions. While no material regulatory inquiries have been initiated by government agencies, compliance with such laws and regulations can be subject to future government review and can lead to other new statutory and regulatory interpretations, as well as other regulatory actions unknown or unasserted at this time.

**The Nathaniel Witherell**  
(A fund of the Town of Greenwich)

Notes to Financial Statements  
June 30, 2018 and 2017

**10. Commitments and Contingencies (continued)**

***Healthcare Revenue (continued)***

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements (which are a precondition to the receipt of reimbursement for patient services), the Medicare False Claims Act, the Stark Anti-Referral Act, the Anti-Kickback legislation, and other Medicaid fraud and abuse legislation. Government activity has increased with respect to investigations that have led to allegations concerning possible violations by healthcare providers of those statutes and regulations. Violations of those laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as imposition of significant obligations on the part of the provider to repay patient services previously illegally billed and received.

***Risk Management***

The Town is exposed to various risks of loss and carries commercial insurance for insurable risks of loss under most coverages with the exception of risks associated with dental, employee prescriptions, heart and hypertension benefits and workers' compensation benefits. For the risk associated with worker compensation benefits, the Town purchases commercial insurance for individual claims in excess of \$1 million. TNW is allocated a portion of the Town's commercial insurance and workers' compensation costs. In addition, TNW carries medical malpractice insurance.

**11. Related Party Transactions (not disclosed elsewhere)**

In-kind services provided by the Town amounted to \$1,017,038 and \$997,096 for the years ended June 30, 2018 and 2017.

**12. Profit Center Analysis – Supplemental Information**

Included in other supplementary information is a profit center analysis. To develop this analysis expenses had to be allocated to the various profit centers. Direct costs for ancillary services were allocated based on the billings for ancillary services. The provider tax is the actual charge per day. All other direct expenses were allocated based on patient days.

Indirect cost was allocated based on the total directed costs.

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**The Nathaniel Witherell  
(A fund of the Town of Greenwich)**

Supplemental Information

June 30, 2018 and **2017**

**The Nathaniel Witherell**  
(A Fund of the Town of Greenwich)  
Profit Center Analysis  
June 30, 2018

	<u>Medicaid</u>	<u>Medicare Part A</u>	<u>Managed Care</u>	<u>Commercial Insurance</u>	<u>Private</u>	<u>Medicare Part B</u>	<u>Total</u>
<i>Days</i>	37,602	10,626	1,673	820	16,290	-	67,011
<b>Resident Service Revenue</b>							
Room and Board	\$ 19,790,971	\$ 5,771,563	\$ 942,277	\$ 396,358	\$ 9,099,404	\$ 12,549	\$ 36,013,122
Pharmacy	2,316	322,906	69,450	10,720	4,117	-	409,509
Oxygen	961	17,331	3,333	-	-	-	21,625
Physical Therapy	7,703	1,120,701	236,382	13,407	(174)	560,062	1,938,081
Occupational Therapy	7,873	(319)	195,457	13,760	1,171	207,033	424,975
Speech Therapy	-	181,537	34,795	(1,643)	(75)	143,632	358,246
X-Ray	-	33,060	7,018	732	-	-	40,810
Lab	-	26,220	4,613	203	-	-	31,036
Vaccines	-	-	-	-	-	-	-
	<u>19,809,824</u>	<u>7,472,999</u>	<u>1,493,325</u>	<u>433,537</u>	<u>9,104,443</u>	<u>923,276</u>	<u>39,237,404</u>
Contractual Adjustment	<u>(9,475,115)</u>	<u>(569,937)</u>	<u>(779,364)</u>	<u>(91,637)</u>	<u>(202,337)</u>	<u>(106,436)</u>	<u>(11,224,826)</u>
	10,334,709	6,903,062	713,961	341,900	8,902,106	816,840	28,012,578
<b>Direct Costs</b>							
Resident care expenses	9,556,964	3,931,892	1,041,084	249,079	4,136,521	823,425	19,738,965
Dietary	1,460,977	414,072	65,106	31,251	632,828	-	2,604,234
Laundry	116,460	33,008	5,190	2,490	50,448	-	207,596
Housekeeping	719,948	204,050	32,084	15,400	311,849	-	1,283,331
Provider tax	584,471	-	-	18,501	287,179	-	890,151
	<u>12,438,820</u>	<u>4,583,022</u>	<u>1,143,464</u>	<u>316,721</u>	<u>5,418,825</u>	<u>823,425</u>	<u>24,724,277</u>
<b>Indirect Costs</b>							
General and administrative	1,590,771	580,773	143,261	40,250	692,846	101,153	3,149,054
Insurance	53,421	19,503	4,811	1,352	23,267	3,397	105,750
Depreciation	362,380	132,301	32,635	9,169	157,832	23,043	717,360
Interest	422,398	154,213	38,040	10,688	183,972	26,859	836,170
Maintenance and plant operation	789,744	288,327	71,122	19,982	343,966	50,218	1,563,359
	<u>3,218,714</u>	<u>1,175,117</u>	<u>289,869</u>	<u>81,441</u>	<u>1,401,883</u>	<u>204,670</u>	<u>6,371,693</u>
	<u>15,657,534</u>	<u>5,758,139</u>	<u>1,433,333</u>	<u>398,162</u>	<u>6,820,708</u>	<u>1,028,095</u>	<u>31,095,970</u>
<b>Operating Income (Loss)</b>	<u>\$ (5,322,825)</u>	<u>\$ 1,144,923</u>	<u>\$ (719,372)</u>	<u>\$ (56,262)</u>	<u>\$ 2,081,398</u>	<u>\$ (211,255)</u>	<u>\$ (3,083,392)</u>

**The Nathaniel Witherell**  
(A Fund of the Town of Greenwich)  
Profit Center Analysis  
June 30, 2017

	<u>Medicaid</u>	<u>Medicare Part A</u>	<u>Managed Care</u>	<u>Commercial Insurance</u>	<u>Private</u>	<u>Medicare Part B</u>	<u>Total</u>
<i>Days</i>	38,945	11,664	1,216	1,757	15,739	-	69,321
<b>Resident Service Revenue</b>							
Room and Board	\$ 19,354,659	\$ 6,097,146	\$ 574,545	\$ 755,510	\$ 8,113,708	\$ -	\$ 34,895,568
Pharmacy	2,220	303,089	68,051	15,966	3,440	-	392,766
Oxygen	-	15,246	2,766	101,811	-	-	119,823
Physical Therapy	6,303	1,345,850	289,642	67,357	2,476	340,939	2,052,567
Occupational Therapy	2,183	(285)	205,397	16,323	(150)	160,843	384,311
Speech Therapy	3,344	134,167	31,153	2,277	-	126,554	297,495
X-Ray	-	41,004	8,197	340	-	-	49,541
Lab	-	23,775	1,991	-	-	-	25,766
Vaccines	-	-	-	-	-	(57)	(57)
	<u>19,368,709</u>	<u>7,959,992</u>	<u>1,181,742</u>	<u>959,584</u>	<u>8,119,474</u>	<u>628,279</u>	<u>38,217,780</u>
Contractual Adjustment	<u>(8,833,247)</u>	<u>(483,064)</u>	<u>(739,925)</u>	<u>(233,596)</u>	<u>(345,009)</u>	<u>(52,102)</u>	<u>(10,686,943)</u>
	10,535,462	7,476,928	441,817	725,988	7,774,465	576,177	27,530,837
<b>Direct Costs</b>							
Resident care expenses	9,697,381	4,240,162	1,026,925	526,717	3,916,576	636,683	20,044,444
Dietary	1,509,283	451,175	48,341	67,140	609,622	-	2,685,561
Laundry	109,982	32,879	3,525	4,894	44,424	-	195,704
Housekeeping	705,498	210,896	22,597	31,383	284,960	-	1,255,334
Provider tax	<u>627,820</u>	<u>-</u>	<u>-</u>	<u>28,776</u>	<u>262,613</u>	<u>-</u>	<u>919,209</u>
	<u>12,649,964</u>	<u>4,935,112</u>	<u>1,101,388</u>	<u>658,910</u>	<u>5,118,195</u>	<u>636,683</u>	<u>25,100,252</u>
<b>Indirect Costs</b>							
General and administrative	1,497,318	584,146	130,366	77,992	605,817	75,361	2,971,000
Insurance	76,061	29,673	6,622	3,962	30,774	3,828	150,920
Depreciation	352,613	137,564	30,701	18,367	142,668	17,747	699,660
Interest	288,499	112,551	25,119	15,027	116,727	14,520	572,443
Maintenance and plant operation	<u>770,389</u>	<u>300,550</u>	<u>67,075</u>	<u>40,128</u>	<u>311,700</u>	<u>38,774</u>	<u>1,528,616</u>
	<u>2,984,880</u>	<u>1,164,484</u>	<u>259,883</u>	<u>155,476</u>	<u>1,207,686</u>	<u>150,230</u>	<u>5,922,639</u>
	<u>15,634,844</u>	<u>6,099,596</u>	<u>1,361,271</u>	<u>814,386</u>	<u>6,325,881</u>	<u>786,913</u>	<u>31,022,891</u>
<b>Operating Income (Loss)</b>	<u>\$ (5,099,382)</u>	<u>\$ 1,377,332</u>	<u>\$ (919,454)</u>	<u>\$ (88,398)</u>	<u>\$ 1,448,584</u>	<u>\$ (210,736)</u>	<u>\$ (3,492,054)</u>